The labour market in 2008

Jeannine Usalcas

Following six years of strong employment growth averaging 2.2% per year, 2008 started with promise—Canada's unemployment rate was at a 33-year record low of 5.8% in January and the employment rate hit a record high of 63.9% in February.

Employment followed an upward trend over the first nine months of 2008 (161,000 or 0.9%), but toward the end of the year, as the global economic crisis worsened, employment began to fall, declining by 81,000 in the last quarter. As a result, employment grew by only 0.5% over the year and the unemployment rate jumped 0.7 percentage points from its record low, settling at 6.6% in December.

Total actual hours worked (more sensitive to economic change than employment) dropped throughout 2008, ending the year 1.2% lower in the last quarter than in the same quarter of 2007. This was the largest year-over-year quarterly drop since 2001, the last time a slowdown hit the labour market. This decline in hours was mainly due to a shift toward hiring part-time workers in 2008. Both employees and the self-employed worked fewer hours over the year.

Average hourly earnings growth remained strong in 2008 at 4.3%, following a 4.9% increase in 2007. Although earnings increased in all provinces in 2008, the pace of growth slowed in Ontario, Alberta, Newfoundland and Labrador, and Nova Scotia over the year.

Recession in the United States

While Canada experienced employment growth in both 2007 and 2008, the United States experienced declines in both years, with the sharpest contraction in over 50 years occurring in 2008. Close to 3.0 million American workers lost their jobs that year, with more than half of the losses in the last quarter.

The United States had employment declines in many industries in 2008—manufacturing; business, building and other support services; construction; and professional, scientific and technical services being the hardest hit. Canada, on the contrary, had strong employment gains in construction and professional, scientific and technical services.

The unemployment rate increased for the second consecutive year in the United States, reaching 7.2% in December 2008, from its most recent low of 4.4% in March of 2007 (Chart A). With the increase in the U.S. unemployment rate, Canada's rate[1] was not only lower in 2008, but the gap of 1.4 percentage points was the largest on record. The last times the Canadian rate was lower were in the recessions of the mid-1970s and early 1980s.

Along with an employment contraction in the United States, and a slowdown in Canada, signs of underemployment emerged in both countries in 2008. Involuntary part-timers—those wanting to work full time but working part time because their hours had been cut back or because they were unable to find full-time jobs—rose by 73% (3.4 million) in the United States over the last 12 months, while they increased by 19% (125,000) in Canada, mostly in Ontario.[2]

Manufacturing declines in Canada for the sixth consecutive year

Although manufacturing lost 35,000 workers in 2008 (-1.7%), this was less than the 129,000 drop in 2007 (-6.1%) (Chart B). Continued job losses in Ontario in 2008 were partially offset by increases in Alberta and Quebec.

Since 2002, Canada has shed 371,000 manufacturing workers (-16.0%), with approximately two-thirds of the losses in Ontario and one-third in Quebec. The losses were persistent in Ontario, the only province

Jeannine Usalcas is with the Labour Statistics Division. She can be reached at 613-951-4720 or perspectives@statcan.gc.ca.

Chart A U.S. recession drives their unemployment rate above Canada's

Note: Canadian data has been adjusted to approximate US measurement concepts.
Sources: Statistics Canada, Labour Force Survey; Bureau of Labor Statistics, Current Population Survey.

with six consecutive years of declines. This left manufacturing employment in the province in December 2008 (871,000) just above the level of the mid 1970s and approaching the record low (806,000) reached in the early 1990s recession.

In December 2008, 13.1% of Ontario's workers were employed in manufacturing, compared with 18.2% in November 2002. Losses

Chart B Manufacturing employment in Ontario down for sixth consecutive year

Source: Statistics Canada, Labour Force Survey.

Data source and definitions

The Labour Force Survey (LFS) is a monthly household survey that collects information on labour market activity from the civilian, non-institutionalized population 15 years of age and over. The survey uses a rotating sample of approximately 54,000 households, with each household remaining in the sample for six consecutive months.

The LFS divides the working-age population into three mutually exclusive classifications: employed, unemployed, and not in the labour force. For a full listing and description of LFS variables, see *Guide to the Labour Force Survey* (Statistics Canada Catalogue no. 71-543-G).

The employment rate is employed persons as a percentage of the population 15 years of age and over. The rate for a particular group (for example, youth age 15 to 24) is the employed in that group as a percentage of the population for that group.

The unemployment rate is the unemployed as a percentage of the labour force. The unemployment rate for a particular group is the unemployed in that group as a percentage of the labour force for that group.

Public sector employment growth was a subdued 1.4% in 2008 compared with the robust 6.7% in 2007. Growth among the self-employed was weaker in 2008 (0.8%) than in 2007 (4.3%), while growth among private-sector employees remained flat (0.1% in 2008 versus 0.4% in 2007).

Construction and housing tumble in last quarter of 2008

Employment in construction grew by an average of 6.1% annually from 2002 to 2007 (Chart C). Although up 3.9% in 2008, construction employment faltered in the last quarter of the year, as increases of 88,000 in the first nine months were offset by losses of 42,000 in the last quarter.

Both housing starts and building permits showed decreased activity in 2008. According to the Canada Mortgage and Housing Corporation, housing starts dipped in December to their lowest level in seven years. Based on the Building Permits Survey, which provides

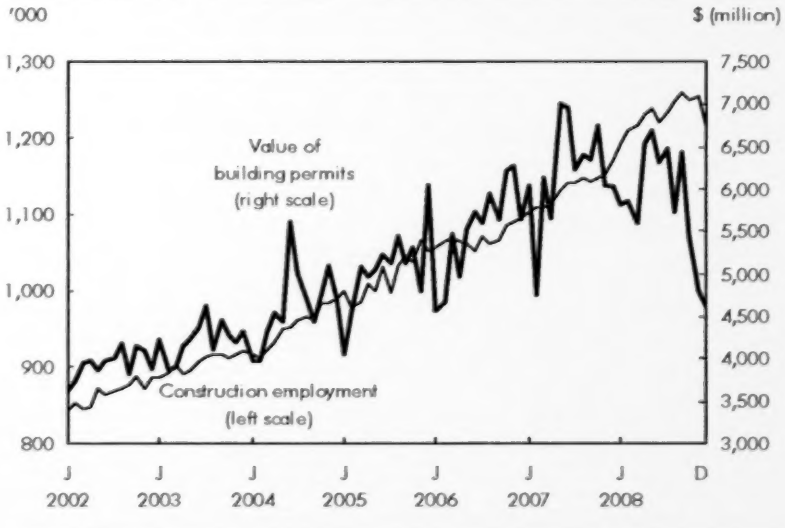
in 2008 were not only in transportation equipment but also in chemicals, plastics and rubber, machinery and food.

Weakness in some industries offset strength in others

Along with manufacturing, several other industries experienced employment declines in 2008: business, building and other support services (-5.8%); agriculture (-3.7%); information, culture and recreational services (-3.4%); forestry, fishing, mining, oil and gas (-2.6%); and trade (-1.8%).

On the other hand, construction employment was up 3.9%, despite significant weakness in the last quarter of the year. Employment was also strong in professional, scientific and technical services (3.8%), health care and social assistance (3.8%), and public administration (3.2%).

Chart C Decline in construction employment in fourth quarter of 2008 follows building intentions



Sources: Statistics Canada, Labour Force Survey; Building Permits Survey.

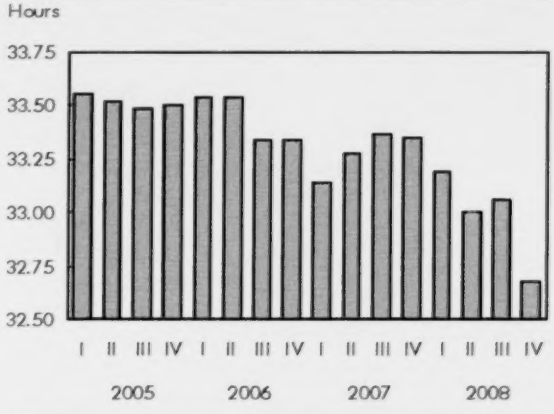
an early indication of building activity, December's value of planned construction activities was 20% less than at the start of the year, with greater losses in non-residential (-22%) than in residential construction (-19%).

Hours worked drops in fourth quarter of 2008

Fewer hours were worked in 2008 than in 2007 (Chart D). The average actual hours worked per week fell to 32.7 in the last quarter of 2008,[3] much lower than the quarterly average of 33.4 in 2007. A combination of factors brought this number down. Employment growth in 2008 was all in part-time work compared with mostly full-time increases in 2007. As well, more workers were putting in shorter hours in 2008, that is, less than 35 hours per week.

Actual hours worked declined for both employees and the self-employed over this period, while overtime hours remained the same. The overall hours decline was widespread, hitting most industries and provinces.

Chart D Actual hours decline throughout 2008, but especially in last quarter



Source: Statistics Canada, Labour Force Survey.

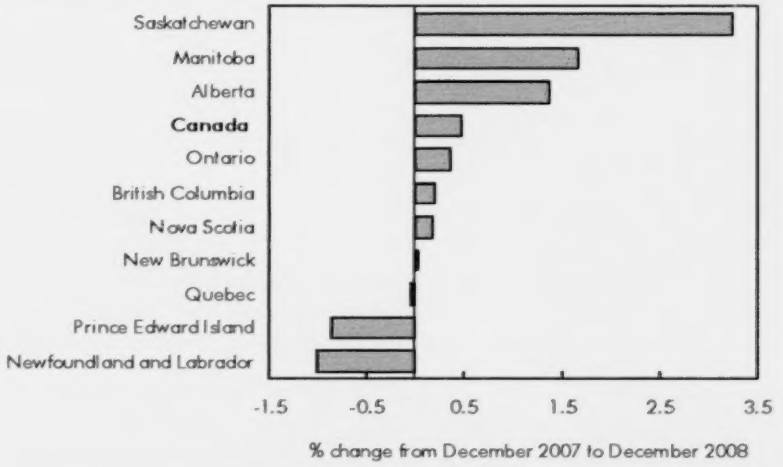
Saskatchewan leads employment gains in 2008

In 2008, Saskatchewan registered the strongest employment growth in the country at 3.2%, while Manitoba (1.7%) and Alberta (1.4%) were the only other provinces with employment growth above the national average of 0.5% (Chart E).

Saskatchewan's employment gains were driven by full-time work, with strength in the goods-producing sector, particularly in construction, as well as in mining, oil and gas extraction and utilities. By December 2008, 67.2% of the province's working-age population was employed, trailing only Alberta, at 71.6%.

Employment growth in Alberta slowed considerably in 2008, after increases above 4% in both 2006 and 2007. In 2008, gains in the goods-producing sector partially offset losses in the service sector. Employment in mining, oil and gas extraction remained at the same level in December 2008 as in December 2007, but gains were seen in manufacturing and agriculture. Alberta's unemployment rate remained one of the lowest in the country at 4.2% in December 2008, and the province continued to have the highest hourly earnings, at $24.50.

Chart E Saskatchewan tops in employment growth in 2008



Source: Statistics Canada, Labour Force Survey.

In Manitoba, employment grew at just below 2% for the second consecutive year in 2008, leaving the employment rate at 66.6% by December 2008, the third highest in Canada. The unemployment rate of 4.3% by year end was among the lowest in the country, and up by only 0.1 percentage point over the year.

Employment growth slows in central Canada and British Columbia

Employment growth in Ontario was close to the national average (0.4%) in 2008, the province's slowest growth since 2001. Gains in transportation and warehousing, construction, and finance, insurance, real estate and leasing, as well as professional, scientific and technical services barely offset declines in manufacturing, educational services, and business, building and other support services. Ontario's gains of 24,000 over the year were all in part-time work. Another indication of Ontario's slowing labour market and the paucity of full-time jobs was the rise in involuntary part-time workers. The proportion of part-time workers who would have preferred full-time work, but were unable to find it, increased from 23% in December 2007 to 30% 12 months later. Over the same period, Ontario's unemployment rate posted a 0.8 percentage point increase, to 7.2% in December 2008.

In Quebec, employment was unchanged in 2008, following 2.4% growth in 2007. Gains in health care and social assistance, public administration and manufacturing partially offset losses in trade, education and agriculture over the 12 months of 2008, resulting in zero net growth. After reaching a record low of 6.8% in January 2008, the unemployment rate increased by 0.5 percentage points to 7.3% by December 2008.

Following strong gains in the previous six years, employment in British Columbia in 2008 ended with a small gain (0.2%), as job creation in the first eight months was partially countered by losses in the last four months. Employment was particularly weak in the goods-producing sector in the last quarter of 2008, driven by losses in construction. The province's unemployment rate was 5.3% in December 2008, up 1.2 percentage points from 12 months earlier.

In the Atlantic provinces, employment declined in Newfoundland and Labrador (-1.0%) and Prince Edward Island (-0.9%) in 2008, while Nova Scotia edged up (0.2%) and New Brunswick saw virtually no change. By year end, employment rates were down in each of these provinces and their unemployment rates were up.

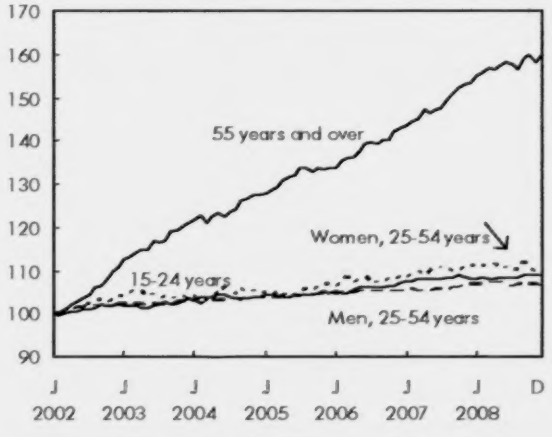
Gains for older workers

Employment growth in 2008 was driven by gains among older workers, continuing the upward climb that began in 2001 with the first of the boomers hitting 55 (Chart F). Women age 25 to 54 also benefited, while youth and core-age men saw employment declines.

In 2008, employment fell by 2.1% (-55,000) for those age 15 to 24. The unemployment rate for young people increased by almost two percentage points since the start of the year, from 11.0% to 12.9% in December.

Older workers, on the other hand, posted an employment increase of 4.1% (105,000) over the year and boosted their employment rate by 0.2 percentage points. Despite this employment increase, their unemployment rate also trended up in 2008, from 4.6% to 5.6%, as more people 55 and over were looking for work.

Chart F Employment growth continues to reflect population aging



Source: Statistics Canada, Labour Force Survey.

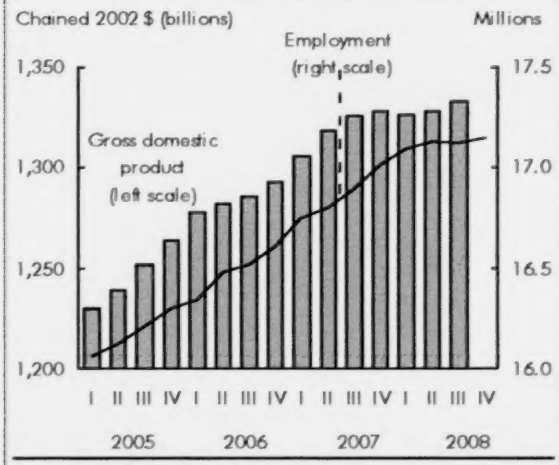
December -to-December change

Throughout this analysis, the change in employment and other labour market indicators during 2008 is determined by comparing seasonally adjusted figures for December 2008 with December 2007, in order to pick up changes sooner than is possible with annual averages. For example, employment averaged 17.1 million in 2008, 1.5% higher than in 2007. This would seem to indicate modest employment growth during 2008, whereas the trend was flat (Chart G). This flatness is best demonstrated with the December-to-December change, which can also be thought of as the sum of the monthly employment changes for the year, which amounted to only 80,000 or 0.5%.

Annual employment growth based on annual averages is higher than that shown by the December-to-December comparison because of the strong growth during the first nine months of 2008 and the losses toward the end of the year.

Of course, neither December-to-December nor annual averages are perfect. December-to-December change can be misleading due to end-point bias. In this case, the greater volatility of the monthly numbers can lead to different interpretations of a trend that might be better described with more stable quarterly or annual average estimates.

Chart G Gross domestic product and employment growth stall in 2008



Sources: Statistics Canada, Labour Force Survey; Income and Expenditure Accounts.

While employment for core-age men remained flat in 2008, women age 25 to 54 had an increase of 46,000 (0.8%). However, the unemployment rate for both increased slightly from December of 2007 (to 5.8% and 4.9% respectively).

Perspectives

Notes

1. Adjusted to U.S. definitions of unemployment.
2. Part-time workers in the United States are those who usually work less than 35 hours per week; in Canada, the cut-off is 30 hours.
3. To minimize monthly fluctuations, the hours worked analysis is based on quarterly averages.